

[DISCUSSION DRAFT]

116TH CONGRESS
2^D SESSION

H. R. _____

To amend the Investment Company Act of 1940 to prohibit limitations on closed-end companies investing in private funds, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. GONZALEZ of Ohio introduced the following bill; which was referred to the Committee on _____

A BILL

To amend the Investment Company Act of 1940 to prohibit limitations on closed-end companies investing in private funds, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Increasing Investor
5 Opportunities Act”.

1 **SEC. 2. CLOSED-END COMPANY AUTHORITY TO INVEST IN**
2 **PRIVATE FUNDS.**

3 (a) IN GENERAL.—Section 5 of the Investment Com-
4 pany Act of 1940 (15 U.S.C. 80a–5) is amended by add-
5 ing at the end the following:

6 “(d) CLOSED-END COMPANY AUTHORITY TO INVEST
7 IN PRIVATE FUNDS.—

8 “(1) IN GENERAL.—The Commission may not
9 limit a closed-end company from investing any or all
10 of the company’s assets in private funds solely or
11 primarily because of the private funds’ status as pri-
12 vate funds.

13 “(2) APPLICATION.—Notwithstanding section
14 6(f), this subsection shall also apply to a closed-end
15 company that elects to be treated as a business de-
16 velopment company.”.

17 (b) DEFINITION OF PRIVATE FUND.—

18 (1) INVESTMENT COMPANY ACT OF 1940.—Sec-
19 tion 2(a) of the Investment Company Act of 1940
20 (15 U.S.C. 80a–2(a)) is amended by adding at the
21 end the following:

22 “(55) The term ‘private fund’ means an issuer
23 that would be an investment company but for para-
24 graph (1) or (7) of section 3(c).”.

25 (2) INVESTMENT ADVISERS ACT OF 1940.—The
26 first paragraph (29) (relating to “private fund”) of

1 section 202(a) of the Investment Advisers Act of
2 1940 (15 U.S.C. 80b–2(a)) is amended to read as
3 follows:

4 “(29) The term ‘private fund’ has the meaning
5 given that term under section 2(a) of the Investment
6 Company Act of 1940.”.

7 (c) TREATMENT BY NATIONAL SECURITIES EX-
8 CHANGES.—Section 6(b) of the Securities Exchange Act
9 of 1934 (15 U.S.C. 78f(b)) is amended by adding at the
10 end the following:

11 “(11)(A) The rules of the exchange do not pro-
12 hibit the listing or trading of securities of a closed-
13 end company solely or primarily by reason of the
14 amount of the company’s investment of assets in pri-
15 vate funds.

16 “(B) In this paragraph—

17 “(i) the term ‘closed-end company’ has the
18 meaning given that term under section 5(a) of
19 the Investment Company Act of 1940, and in-
20 cludes a closed-end company that elects to be
21 treated as a business development company
22 under section 6(f) of such Act; and

23 “(ii) the term ‘private fund’ has the mean-
24 ing given that term under section 2(a) of the
25 Investment Company Act of 1940.”.

1 (d) INVESTMENT LIMITATION.—Section 3(c) of the
2 Investment Company Act of 1940 (15 U.S.C. 80a–3(e))
3 is amended—

4 (1) in paragraph (1), by striking “subpara-
5 graphs (A)(i) and (B)(i)” and inserting “subpara-
6 graphs (A)(i), (B)(i), and (C)”;

7 (2) in paragraph (7)(D), by striking “subpara-
8 graphs (A)(i) and (B)(i)” and inserting “subpara-
9 graphs (A)(i), (B)(i), and (C)”.

10 (e) EFFECTIVE DATE.—The amendments made by
11 this section shall take effect after the end of the 2-year
12 period beginning on the date of enactment of this Act, or
13 such earlier date as the Securities and Exchange Commis-
14 sion may determine is necessary or appropriate in the pub-
15 lic interest or for the protection of investors, upon notifica-
16 tion of the Congress and the public.